UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of Philip Morris Inc. a corporation.	FILE NO. 792-3027

ORDER TO FILE SPECIAL REPORT

Pursuant to a resolution of the Federal Trade Commission dated February 5, 1979 , entitled "Resolution Directing Use of Compulsory Process in Non-Public Investigation", a copy of which is enclosed, Philip Morris , hereinafter referred to as "the company," is ordered to file a Special Report with the Commission not later than March 22, 1979 , containing the information specified herein.

Your report is required to be subscribed and sworn to by an official of the company who has prepared or supervised the preparation of the report from books, records, correspondence, and other data and material in your possession.

Your report should restate each item of this Order with which the corresponding answer is identified. If any question cannot be answered fully, give such information as is available to you and explain wherein and why your answer is incomplete. If the full answer is known to you to be obtainable from another source, identify that source:

1. The subscriber to your report is to give his full name and business address and state his official capacity.

2. State the full name of the company and its official address, and its date and state of incorporation.

3. State whether the corporation is a subsidiary corporation; whether the corporation has a subsidiary corporation; report the same information specified in item two (2) as regards each such parent or subsidiary.

4. List the brand name, type (i.e., nonfilter; paper, cellulose, or charcoal filter; menthol, etc.) length of cigarette in millimeters, length of filter in millimeters, and length of overwrap in millimeters of each variety of cigarette manufactured or distributed by the company or any of its subsidiary or parent corporations during the Calendar Year 1978 including varieties sold in a test market or limited market basis. For the purposes of all items in this Order to File

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Special Report, each "variety of cigarette" for which data is reported shall consist of cigarettes of no more than one brand name, no more than one size, no more than one filter type (e.g., nonfilter, regular filter, or charcoal filter), and no more than one flavoring type (e.g., menthol or regular). List all varieties which were sold for the first time during this period and the date on which first sold. List all varieties which were discontinued during this period and the date last manufactured.

5. Report total domestic sales of cigarettes by the company and any of its subsidiary or parent corporations by number and dollar volume by year and by month for the Calendar Year 1978. Report the same information for each variety of cigarette manufactured. For the purposes of this Order to File Special Report, the term "domestic sales" includes:

   (a) all sales within the 50 States, the District of Columbia, and U.S. territorial possessions,

   (b) all sales to members or units of the Armed Forces of the United States located outside of the 50 States, the District of Columbia, and U.S. territorial possessions, and

   (c) all sales for delivery to a vessel or aircraft of the Armed Forces of the United States, as supplies, for consumption beyond the jurisdiction of the internal revenue laws of the United States.

6. Report the total dollar volume of cigarette sales other than domestic sales by the company and any of its subsidiary or parent corporations during the Calendar Year 1978.

7. Report the total dollar volume of all domestic and foreign sales for all product lines, including cigarettes, by the company and any of its subsidiary and parent corporations during the Calendar Year 1978.

8. Report total dollar expenditures by the company and any of its subsidiary and parent corporations for domestic cigarette advertising and all other cigarette promotional activities for the Calendar Year 1978. Provide a breakdown of these expenditures into the following categories for each variety of cigarette manufactured or distributed by the company:

   (a) Newspaper advertising other than expenditures which also fit into categories (h) or (k), for they should be reported in those categories.

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(b) Magazine advertising other than expenditures which also fit into categories (h) or (k), for they should be reported in those categories.

(c) Outdoor advertising other than expenditures which also fit into categories (d), (h), or (k), for they should be reported in those categories.

(d) Advertising in or on public transportation facilities other than expenditures which also fit into categories (h) or (k), for they should be reported in those categories.

(e) Direct mail advertising other than expenditures which also fit into categories (h) or (k), for they should be reported in those categories.

(f) Point of sale advertisements other than expenditures which also fit into categories (g), (h), or (k), for they should be reported in those categories.

(g) Promotional allowances paid to retailers and any other persons (other than full-time company employees who are involved in the cigarette distribution and sales process) in order to facilitate the sale of any cigarettes other than expenditures which also fit into categories (a)-(e), for they should be reported in those categories.

(h) Sampling of cigarettes, including both the costs of the cigarettes themselves and the costs of organizing, promoting, and running sampling efforts.

(i) All costs of distributing all items other than cigarettes, including the cost of such items distributed to consumers by sale, redemption of coupons, or otherwise, bearing the name or depicting any portion of the package of any variety of cigarettes sold by the company. The expenditures reported in this item shall be the net cost to the company; i.e., payments received from consumers for such items shall be deducted. Whenever such activities are combined with cigarette sampling, the expenditures connected therewith shall be reported solely under category (h).

(j) All costs of distributing all items other than cigarettes, including the costs of such items distributed to consumers by sale, redemption

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of coupons, or otherwise, not bearing the name or depicting any portion of the package of any variety of cigarettes sold by the company. The expenditures reported in this item shall be the net cost to the company; i.e., payments received from consumers for such items shall be deducted. Whenever such activites are combined with cigarette sampling, the expenditures connected therewith shall be reported solely under category (h).

(k) Public entertainment events bearing or otherwise displaying the name of the company or any of its cigarettes. This category includes all expenditures made by the company in promoting and/or sponsoring such events.

(l) Endorsements and testimonials. This category includes, but is not limited to, all expenditures made to procure cigarette use, or the mention of a cigarette product or company name, or the appearance of a cigarette product or name or package or other representation associated with a cigarette product or company, in any situation (e.g., motion pictures, stage shows, public appearance by a celebrity) where such use, mention, or appearance may come to the attention of the public. However, advertising expenditures which also fit into categories (a)-(f) or (k) should be represented in those categories.

(m) All other expenditures. Specify the amount and describe the subject nature of each expenditure reported in this category.

The following principles govern the expenditures to be reported under this item. An expenditure is to be reported in only one category. The expenditures to be reported are the total cost to the company of administering the activity involved, including commissions and other payments made to separate organizations such as advertising agencies, and including the production cost of advertisements, but not including expenditures made to cover the costs of employing full-time employees of the company and any overhead expenses attributable to their activities. The term "advertising" shall include all activities intended or likely to be seen or heard by members of the public in their capacity as consumers or potential consumers, which mention the name of any variety of cigarettes or which discuss or depict cigarettes, any portion of any cigarette packages, or cigarette smoking. Whenever an expenditure cannot be assigned to

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only one variety of cigarette, the Special Report shall indicate this fact and designate the group of varieties to which such an expenditure should be assigned. The cost accounting procedure to be utilized in assigning an expenditure to a particular calendar year shall be the accrual basis as opposed to the cash basis.

9. Report the names and addresses of all testing laboratories which have conducted tests for tar and nicotine content of any cigarette variety manufactured by the corporation at the request of the corporation during the Calendar Year 1978. Furnish copies of reports of all tests.

10. Furnish copies of reports of all tests for tar and nicotine content of any cigarette varieties manufactured by the corporation conducted in any laboratory operated by the corporation during the Calendar Year 1978.

11. Furnish copies of any other tests, studies, or data upon which the corporation has relied to support any claims or statements in advertising or on cigarette packages made during the Calendar Year 1978, which concern tar or nicotine content of any cigarette variety.

12. Report the names and addresses of all advertising agencies which have participated in the preparation or placement for publication of all advertising used during the Calendar Year 1978, and state the nature and extent of such participation.

You are advised that penalties may be imposed under applicable provisions of federal law for failure to file special reports or for filing false reports.

The Special Report called for in this Order is to be filed on or before March 22, 1979 .

By direction of the Commission.

Carol M. Thomas
Secretary

Date of Order: February 5, 1979

The Report required by this Order, or any inquiry concerning it, should be addressed to the attention of:

Jane Dolkart
Attorney
Federal Trade Commission
Washington, D.C. 20580

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